

**ADDITIONAL STATEMENT BY**  
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**FOR THE RECORD**  
**COMMITTEE ON WAYS AND MEANS**  
**SUBCOMMITTEE ON SOCIAL SECURITY**  
**U.S. HOUSE OF REPRESENTATIVES**  
**HEARING ON**  
**“THE FIERCE URGENCY OF NOW - SOCIAL SECURITY 2100: A SACRED TRUST”**  
**DECEMBER 7, 2021**

Social Security has been a bedrock program protecting the financial security of American workers in the case of retirement, disability or death. Over the years the value of some of its benefits has eroded and it is well past time for the program to be updated to meet the needs of today’s workers and beneficiaries. The benefit improvements included in the Social Security 2100: A Sacred Trust Act have been considered for a number of years and include proposals advanced by Representative John Larson, other Members of Congress and President Biden. On December 7<sup>th</sup> I testified before the House Ways and Means Subcommittee on Social Security on this legislation and a number of statements were made by other witnesses which I believe were misleading. I am taking this opportunity to set the record straight.

In H.R. 5723, Representative Larson has assembled the highest priorities for improving Social Security. For years, the members of the National Committee to Preserve Social Security and Medicare have told us that seniors need an across-the-board boost in their benefits to help make up for the erosion they have suffered over the decades. They need fairer cost-of-living adjustments that reflect retirees’ true living expenses. They want benefit improvements for those who need help the most: the oldest-old, survivors and those with low lifetime earnings. They want the wealthy to start paying their fair share in Social Security payroll contributions. The Social Security 2100: A Sacred Trust Act achieves all of that — and more.

H.R. 5723 represents the consensus of an overwhelming majority of Americans by making an important down payment toward closing Social Security's funding gap while improving Social Security benefits. According to the Social Security Administration's Chief Actuary, H.R. 5723 would slash the long-range actuarial deficit by one-half, from 3.54 percent of payroll to 1.71 percent. The bill also dramatically improves the percentage of scheduled benefits that are projected to be payable on a timely basis from today's 78 percent to 87 percent. We believe it is vitally important to close this gap completely and look forward to working with Congress to explore the best avenues to achieve this goal.

The Republican witnesses at the December 7<sup>th</sup> hearing stated they were "providing facts" not opinions or anecdotes (implying perhaps that the rest of us who support increasing Social Security were the misinformed ones). But even "facts" can be misleading, providing such a distorted picture of reality as to be unrecognizable by the rest of us. Let's take the claim that there is no retirement crisis and with the exception of a small number of unfortunate souls, older people don't need improved protection from Social Security. If all you do is look at cumulative numbers or averages, which the witnesses were prone to cite – it is true that overall elderly Americans appear to be in better shape financially than they were almost nine decades ago when Social Security was created to help pull us out of the depths of the Great Depression.

But merely citing statistics showing older people as a group have more money does not begin to take into account the financial inequality American workers experience that follows them into retirement. According to the Federal Reserve, wealth inequality has worsened over the last two decades. One-half of Americas' working families have no retirement savings at all. Even among families who have saved, the median account balances were \$65,000 in 2019 – which means one-half are below that amount and the other half above. More than half of seniors receive over half of their income from Social Security, and it provides at least 90 percent of income for more than one-in-five seniors. Without Social Security, almost half of older Americans (40 percent) would live in poverty.

Looking purely at the numbers also ignores the financial vulnerability seniors experience every day. They are faced with finite resources – what they have at retirement must last them for the rest of their lives. Few seniors are able to work, especially those who worked at grueling blue-collar jobs their entire lives. Even if they are healthy enough and willing to work, few employers are willing to hire the elderly when younger workers are available. That leaves even those who are reasonably financially stable today well aware that this could be a very temporary condition. One fall could land them in a nursing home, and the average annual cost of \$100,000 would rapidly wipe-out any savings they may have accumulated.

The other item that raw numbers fail to recognize is the role private retirement savings plays for the average family. While 401(k) and IRA balances have grown overall, they did not represent a net increase in retirement security for many families because they supplanted the traditional pensions that so many blue-collar workers previously relied on. This shift did not provide additional retirement security for these workers – it was one more example of the increasing risk transferred from employers to their workers, who now had to not only save for retirement on their own, but also were faced with the risk of poor investments or a drop in the stock market. The loss of the third leg of the so-called "retirement stool" (Social Security, pensions and private savings) means Social Security, the only secure leg remaining, must be strengthened.

The Republican witnesses stated their preference of privatizing Social Security by transferring payroll taxes to private accounts – a notion President George W. Bush promoted during his second term in office. Large majorities of the American public resoundingly opposed his efforts, and the more he promoted his plan, the steeper was the drop in public support. Americans understand full well that ownership also means you alone bear the risk of a market downturn, which was painfully evident to anyone who was forced to retire right after the crashes in 1987, 2000 and 2008. Many may be willing to take on some level of risk to see higher rewards, but not as a substitute for a robust Social Security benefit.

In his testimony Dr. Andrew Biggs appeared to concede the point that there are older people living at or below the poverty line, though he disagreed on how many of them exist and on how well the rest of the elderly are faring. He claimed to support improving benefits for the poor and near poor, but only at the expense of everyone else – who he claimed will not be hurt if their Social Security is cut.

It is very disingenuous to suggest that the best solution to improve Social Security's finances is to cut or eliminate benefits for wealthy seniors. As the witnesses acknowledged themselves when discussing increasing taxes, there simply aren't enough super-rich to make a dent in Social Security's long-range finances. To do that, you need to significantly cut benefits for workers making \$40,000-50,000 a year – or in other words, the heart of middle-class America. These are the workers who have been left most vulnerable by decades of stagnant wages and rising income inequality. These are the workers least likely to have been able to create a meaningful retirement nest egg during their working lives. To suggest cutting their Social Security to help protect their poorer neighbors would just add insult to injury.

Dr. Biggs also agreed with the claim that the vast majority of seniors care more about 75-year solvency than they do about benefit improvements and that only a small minority of seniors complain that their benefits today aren't enough to meet their daily needs. In all the many years I have spent working on Social Security, I never once heard a senior express more concern about the solvency of the program decades into the future than they did about whether they would have enough money to buy their prescriptions and still put food on the table. Most members of Congress well know that the older people who call their offices or come out to town hall meetings are far from a small minority of complainers. They represent the overwhelming majority of their seniors, many of whom suffer in silence because they don't believe anyone understands their plight or cares enough to do something about it.

Polls were cited during the hearing purporting to show that the majority of seniors are living comfortably and don't support increasing their benefits. I can tell you from experience that the wording of a question plays an important role in the results. For example, the poll commissioned by Dr. Biggs made it appear that Social Security benefits and Wall Street investments were equally secure. Not surprisingly, large numbers of respondents chose the investment option. Questions that acknowledge the level of risk involved in private retirement accounts show markedly different results, as President Bush discovered. While there is a place for private investments for retirement, it should be to supplement a robust foundation provided by Social Security – not to supplant secure benefits with risky private accounts as was done with defined benefit plans.

Polls rarely acknowledge all that would be lost by privatizing Social Security, which is not just a retirement program but also provides disability and survivors benefits. In fact, while most individuals who receive Social Security are retirees and their family members, over 14 percent of all Social Security beneficiaries are disabled workers and their families. Disability insurance can be critical for workers and their families: One in four of today's 20-year-olds will become disabled before reaching age 67. Yet the vast majority of workers have no long-term disability insurance. For a young disabled worker with a spouse and two children, the disability insurance value of the benefit they get through Social Security is over \$580,000. And, unlike private disability policies and annuities, Social Security benefits are increased annually to keep up with the cost of living.

Social Security also provides life insurance to protect families from the loss of the earnings of their primary breadwinner. Nine percent of beneficiaries qualify as the survivors of deceased workers. About one in nine of today's 20-year-olds will die before reaching the full retirement age of 67. Many workers do not have life insurance to protect their families, and many may not realize that their payroll taxes entitle their families to survivor's benefits, providing life insurance protection worth over \$725,000.

No other wage-replacement program – public or private – offers the protection Americans receive from the Social Security program. Those who promote privatizing the program rarely have a response for how they would replace these critical benefits provided by Social Security and they certainly never make the full impact of their proposals clear to the American people.

I have never seen a poll that said: 'in addition to risking your hard-earned money in the stock market, you would also need to use those same dollars to buy life insurance and long-term disability insurance for your family's peace of mind – assuming you are even insurable in the private market' – now do you want to give up some of your Social Security benefits? I think you can easily see where public support would end up.

Franklin Roosevelt, Frances Perkins and the other architects of Social Security created a true masterpiece when they designed Social Security. In the depths of the Great Depression, they understood viscerally how important it was to provide "protection to the average citizen and his family" against the hazards and vicissitudes of life. It is not merely a retirement program; it is a contributory social insurance program. And it is most assuredly not welfare. It is an earned benefit that American workers contribute to with each and every paycheck. It provides a financial bulwark against an uncertain financial world – a world in which Americans are acutely aware of their vulnerability.

Finally, the Republican witnesses didn't hesitate to criticize Democrats for promoting the Social Security 2100: A Sacred Trust Act which, according to them, could never become law. We strongly disagree. H.R. 5723 has strong support from advocacy groups representing a broad cross section of America because the legislation will provide benefits critical not only to seniors but also to their families. Social Security has been and will continue to provide the foundation of financial security for today's beneficiaries in addition to future generations of working families. The National Committee will continue to push for Congress to approve Chairman Larson's bill because it provides critically important improvements to Social Security's benefits while making a significant down payment toward the program's long-term solvency.